

Message Text

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UNCLAS SECTION 1 OF 4 GENEVA 5025

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SUBJECT: LE MONDE ARTICLE ON TRADE POLICY

FOLLOWING IS AN UNOFFICIAL TRANSLATION OF AN ARTICLE
APPEARING IN THE JUNE 17 ISSUE OF LE MONDE ENTITLED:

"THE EUROPEAN COMMUNITY, JAPAN AND THE THIRD WORLD -
THE NINE SEEK A NEW COMMERCIAL STRATEGY".

BEGIN TEXT:

LE MONDE

"THE EUROPEAN COMMUNITY, JAPAN AND THE THIRD WORLD -
THE NINE SEEK A NEW COMMERCIAL STRATEGY"

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INTRODUCTION: "THE NINE MINISTERS IN CHARGE OF DEVELOPMENT
MET THURSDAY, JUNE 16, IN LUXEMBOURG. FEW RESULTS ARE
EXPECTED FROM THIS EXPLORATORY MEETING AT WHICH MR. CHEYSSON,
THE COMMISSIONER IN CHARGE OF COOPERATION, WILL PRESENT A
DRAFT DOCUMENT GIVING THE FIRST REFLECTIONS OF THE COMMISSION
ON THE NECESSITY OF "RETHINKING" THE COMMUNITY'S TRADE POLICY.

"ONE MUST KEEP IN MIND IN PARTICULAR THE PLACE WHICH THE THIRD WORLD NOW OCCUPIES IN INTERNATIONAL TRADE, AND AT THE SAME TIME ENVISAGE A SERIES OF ACTIONS WITHIN THE EEC - INDUSTRIAL RESTRUCTURING, PROFESSIONAL TRAINING - SO THAT THE EEC WILL BE IN A POSITION TO CARRY ON AN OPEN TRADE POLICY, WITHOUT UNBEARABLE SOCIAL TENSIONS.

"THE EXPERIENCE OF THE PAST MONTHS SHOWS IN EFFECT THE GROWING INSUFFICIENCY OF THE CLASSIC INSTRUMENTS OF TRADE POLICY. IT APPEARS MOST IMPORTANTLY THAT THE DIFFICULTIES ENCOUNTERED BY THE NINE WITH JAPAN AND THE MOST COMPETITIVE THIRD WORLD COUNTRIES WILL NOT BE ABLE TO BE RESOLVED WITHIN THE FRAMEWORK OF THE MULTILATERAL NEGOTIATIONS NOW GOING ON IN GENEVA UNDER THE AEGIS OF GATT. END INTRODUCTION

(BRUSSELS) - "THE NEGOTIATIONS IN GENEVA ARE MEANINGLESS. THE WESTERN COUNTRIES HAVE NOT YET RECOGNIZED THE FACT THAT THE MOVEMENT TOWARD A LIBERALIZATION OF TRADE ENDED IN 1977. IT WOULD BE IN THE ORDER OF THINGS THAT THESE NEGOTIATIONS SOON DRAW TO A CLOSE BY THEMSELVES.' THESE NON-CONFORMIST, EVEN IRREVERENT, STATEMENTS WITH REGARD TO THE HEADS OF GOVERNMENT WHO, AT THE RECENT 'SUMMIT' IN LONDON, UNDERLINED THEIR WISH TO GIVE 'A NEW DRIVE TO THE MULTILATERAL TRADE NEGOTIATIONS, CALLED TOKYO-ROUND,' AND 'TO MAKE SUBSTANTIAL PROGRESS IN KEY SECTORS IN 1977' WERE MADE TO US BY A HIGH OFFICIAL OF THE EUROPEAN COMMISSION RECENTLY. BEYOND THEIR UNCLASSIFIED

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PROVOCATIVE NATURE, THEY REFLECT AN OPINION MORE AND MORE WIDESPREAD IN EUROPEAN CIRCLES.

- THOSE WHO BELIEVE THAT GATT CAN EFFECTIVELY CONSTITUTE A BARRIER AGAINST A PROTECTIONIST WAVE ASSIGN ONLY MODEST OBJECTIVES TO THE GENEVA NEGOTIATIONS. THEY RECOGNIZE THAT THE BACKDROP OF INTERNATIONAL TRADE HAVING PROFOUNDLY CHANGED IN THE PAST FEW YEARS (PERSISTENCE OF THE ECONOMIC CRISIS AND UNEMPLLYMENT, OVER-COMPETITIVENESS OF SEVERAL THIRD WORLD COUNTRIES) THE COMMUNITY OUGHT RAPIDLY TO ACQUIRE A TRADE POLICY MORE COMPLEX THAN A SIMPLE ARSENAL OF TARIFF AND QUOTA MEASURES. THE IDEA IS TAKING ROOT LITTLE BY LITTLE THAT THE EEC, IN ORDER TO ENSURE ITS SURVIVAL, MUST INCREASINGLY TURN ITS BACK ON THE MULTILATERALISM WHICH IS THE TRADE MARK OF GATT AND ORIENT ITSELF TOWARD A TRADE POLICY 'A LA CARTE' BASED ON CONTRACTUAL ARRANGEMENTS WITH ITS PRINCIPAL PARTNERS.

" IT IS SUCH AN EVOLUTION THAT M. GISCARD D'ESTAING AND M. BARRE HAD IN MIND IN MAY IN LONDON IN PROPOSING THE IDEA OF 'ORGANIZED FREE TRADE' AND IN ASKING THAT REFERENCE BE MADE IN THE SUMMIT DECLARATION TO THE NECESSITY FOR 'TAKING INTO CONSIDERATION THE STRUCTURAL CHANGES IN THE WORLD ECONOMY'. BUT

THE NUANCES THUS INTRODUCED AT THEIR REQUEST REMAIN TIMID AND AMBIGUOUS. THEY DON'T TAKE AWAY FROM THE PROFESSION OF FAITH IN CLASSICAL FREE TRADE CONTAINED IN THE LONDON DECLARATION. AS SUCH, THIS DOCUMENT CAN BUT POORLY SERVE AS A FOCUS OF SUPPORT FOR THOSE IN THE EEC WHO WILL REFLECT ON WHAT DIRECTION A NEW EUROPEAN TRADE POLICY SHOULD TAKE. THEIR FIRST TASK, IN VIEW OF THE CONFUSION AT THE START OF THIS NEW PERIOD IN WORLD TRADE, IS TO CARRY ON A WORK OF CLARIFICATION: WHAT CAN THE NINE EXPECT FROM THE GATT NEGOTIATIONS? WHAT CAN THEY UNDERTAKE BEYOND THE MULTILATERAL FRAMEWORK?

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"TWO RECENT PHENOMENA HAVE KILLED THE POLICY OF TRADE LIBERALIZATION AS IT WAS FORMERLY CARRIED ON UNDER THE AEGIS OF GATT. FIRST, THE DISLOCATION OF THE INTERNATIONAL MONETARY SYSTEM. WHAT IS THE SENSE OF A 10 PERCENT REDUCTION IN DUTIES WHEN CURRENCIES FLOAT AND THEIR VALUE CAN VARY FROM 20 TO 30 PERCENT FROM ONE YEAR TO ANOTHER? THEN, THE MULTIPLICATION OF BILATERAL SELF-LIMITING ARRANGEMENTS. WHAT IS THE SIGNIFICANCE OF LIFTING ALL CUSTOMS DUTIES WHEN THE PARTNERS UNDERTAKE IN ONE FORM OR ANOTHER TO LIMIT EXPORTS.?

"GENEVA AND ITS LIMITS - IT IS WITH THESE MODIFICATIONS IN MIND THAT THE NINE OUGHT TO VIEW THEIR PARTICIPATION IN THE GENEVA TALKS OR, AT LEAST, THE CONDUCT OF THEIR TRADE RELATIONS WITH OTHER WESTERN COUNTRIES. BECAUSE GATT UP TO THIS MOMENT HAS BEEN ESSENTIALLY A WESTERN FORUM: THE PLACE WHERE THE INDUSTRIALIZED COUNTRIES, THE ONLY ACTIVE PARTICIPANTS IN INTERNATIONAL TRADE, SETTLED THEIR ACCOUNTS, WHERE THE US USED ITS POLITICAL WEIGHT TO IMPOSE SOLUTIONS, SEEING TO IT THAT THE EUROPEAN

SYSTEM DID NOT OPERATE TO ITS DETRIMENT. THE PROBLEMS DO NOT PRESENT THEMSELVES TODAY IN SUCH SIMPLE TERMS, WHICH GIVES A NEW SLANT TO THE NEGOTIATIONS. IN WASHINGTON AS IN BRUSSELS, THE ORGANIZATION OF TRADE RELATIONS BETWEEN THE UNCLASSIFIED

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EEC AND THE US IS NOT THE MAIN PREOCCUPATION. 'EVEN IF CERTAIN IDEAS MEET WITH OPPOSITION, IT IS CLEAR THAT THE US HAS LESS THAN EVER A SERIOUS INTEREST IN ECONOMICALLY DESTABILIZING THE COMMUNITY' ONE PERSON REMARKED IN BRUSSELS.

"THIS BEING SO, WHAT CAN THE EEC EXPECT TO ACHIEVE IN THE NEGOTIATIONS?

"- LOWERING TARIFF BARRIERS - THE COMMON EXTERNAL TARIFF, WHICH PROTECTS THE EEC, THOUGH ECONOMICALLY INSIGNIFICANT, IS STILL A SYMBOL OF EUROPEAN UNITY VIS-A-VIS THE REST OF THE WORLD AND THEREFORE HAS A CERTAIN POLITICAL IMPORTANCE. AND SO THERE IS NO QUESTION THAT IT BE DONE AWAY WITH NOR EVEN THAT WE HAVE THE ULTIMATE GOAL OF TOTAL ELIMINATION OF DUTIES ON CERTAIN PRODUCTS. THE EEC AT THE VERY MOST SHOULD ENVISAGE AN AVERAGE REDUCTION OF 10 PERCENT TO 15 PERCENT. IN AS MUCH AS THE 'PROFILES' OF CUSTOMS DUTIES OF THE INDUSTRIALIZED COUNTRIES DIFFER SO GREATLY, IT SHOULD PRESS ESPECIALLY THE US SO THAT THEY MIGHT BE 'HARMONIZED' - HIGH TARIFFS SHOULD BE REDUCED FURTHER THAN LOW TARIFFS.

"- ELIMINATION ON NON TARIFF BARRIERS - THE EEC IS READY TO AGREE TO WORK IN THIS DIRECTION AS LONG AS IT IS ON A REALLY RECIPROCAL BASIS. IT WOULD HOPE THAT THE US WOULD RENOUNCE THE 'PROTOCOL OF PROVISIONAL APPLICATION' WHICH PERMITS IT TO MAKE USE OF COMMERCIAL ARRANGEMENTS CONTRARY TO GATT (FOR EXAMPLE THE APPLICATION OF COUNTERVAILING DUTIES ON THEIR IMPORTS WITHOUT AN INJURY TEST).

"- AGRICULTURAL NEGOTIATIONS - THE TIME WHEN THE US WAGED WAR AGAINST THE COMMON AGRICULTURAL POLICY AND ASKED THAT AGRICULTURAL TRADE BE TREATED IN THE SAME WAY AS UNCLASSIFIED

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INDUSTRIAL TRADE SEEMS OVER. ENGAGED NOW IN AN INTERVENTION-IST POLICY (RAISING OF GRAIN PRICES, SUBSIDIZING SUGAR PRODUCERS), AND THREATENED ITSELF BY COMPETITION FROM COUNTRIES LIKE ARGENTINA AND BRAZIL, THE US SEEMS MORE CAUTIOUS LESS AGGRESSIVE THAN IN THE PAST. THE GATT TALKS COULD

CONCENTRATE ON TWO QUESTIONS - THE CONCLUSION OF AN INTERNATIONAL AGREEMENT ON GRAINS AND ON THE POLICY OF SUBSIDIES ON EEC EXPORTS. IT IS OUT OF THE QUESTION THAT THE COMMUNITY GIVE UP THE LATTER, BUT IT COULD AGREE TO REGULATE THEM ON CONDITION THAT THE US AGREE, ON ITS SIDE, NO LONGER TO APPLY COUNTERVAILING DUTIES WHICH, IN THE PRESENT STATE OF AFFAIRS, CONSTITUTE A PERMANENT THREAT TO AGRICULTURAL EXPORTS FROM THE NINE.

"THIS BRIEF SUMMARY OF THE MAIN POINTS OF THE GENEVA NEGOTIATIONS SHOWS THEIR RELATIVELY LIMITED CHARACTER. THE IMPORTANT CONSIDERATIONS ARE ELSEWHERE. THE MOST IMPORTANT AIM FOR THE COMMUNITY IS TO PUT AN END TO THE EXPLOSIVE DEVELOPMENT OF CERTAIN KINDS OF TRADE. THIS, OF COURSE, DOES NOT HAVE THE U.S. OR CANADA IN VIEW, BUT JAPAN AND THE COUNTRIES OF THE THIRD WORLD WHICH, BENEFITTING IN THE PAST FEW YEARS FROM CHEAP LABOR, HAVE EQUIPPED THEMSELVES WITH A MODERN INDUSTRIAL PLANT. FOR OBVIOUS SOCIAL REASONS, FOR REASONS TIED TO SECURITY ALSO (TO BUY RAW MATERIALS WHICH IT LACKS, THE EEC MUST CONTINUE TO EXPORT) THE COMMUNITY CANNOT RUN THE RISK OF HAVING ONE OR SEVERAL INDUSTRIES FOUNDER (SHIPBUILDING, SHOES, TEXTILES....)

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"THE EXPERIENCE OF THE PAST FIVE YEARS HAS SHOWN THAT DEPRECIATIONS OF CURRENCIES WERE IN NO WAY A LONG TERM REMEDY FOR A WEAK FOREIGN TRADE SECTOR AND FOR SAVING THREATENED INDUSTRIES. ANOTHER RESPONSE MUST THEREFORE BE FOUND: PROCEED IN SUCH A WAY THAT THE DANGERS WHICH THREATEN

EUROPEAN FIRMS BE REMOVED WITHOUT THREATENING THE OPEN TRADE SYSTEM DEVELOPED OVER THE PAST DECADE. THE NEW COMMERCIAL STRATEGY WHICH THE COMMUNITY HAS THE DUTY TO PUT INTO ACTION MUST NOT BE DIRECTED TOWARD A RETREAT FROM TRADE LIBERALIZATION, BUT TOWARD A MORE ORDERLY AND MODERATE DEVELOPMENT OF LIBERALIZATION, IT IS EMPHASIZED IN BRUSSELS.

"THE EXPERIENCE OF THE PAST FIVE YEARS HAS SHOWN THAT DEPRECIATIONS OF CURRENCIES WERE IN NO WAY A LONG TERM REMEDY FOR A WEAK FOREIGN TRADE SECTOR AND FOR SAVING THREATENED INDUSTRIES. "ANOTHER RESPONSE MUST THEREFORE BE FOUND: WE MUST PROCEED IN SUCH A WAY THAT THE DANGERS WHICH THREATEN EUROPEAN FIRMS MAY BE REMOVED WITHOUT THREATENING THE OPEN TRADE SYSTEM DEVELOPED OVER THE PAST DECADE. THE NEW COMMERCIAL STRATEGY WHICH THE COMMUNITY HAS THE DUTY TO PUT IN ACTION MUST NOT LEAD TO A RETREAT FROM TRADE LIBERALIZATION, BUT TO A MORE ORDERLY AND MODERATE DEVELOPMENT
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OF LIBERALIZATION, IT IS EMPHASIZED IN BRUSSELS.

"AD HOC ARRANGEMENTS - AD HOC SOLUTIONS UP TO NOW HAVE SHOWN THE WAY, BUT THEY ARE IMPERFECT AND THEIR RESULTS ARE MEDIOCRE. MEANT TO FILL IN THE MOST DIFFICULT GAPS, THEY CONCERN JAPAN AND THIRD WORLD TEXTILE PRODUCERS. WHATEVER THEIR FORM - INFORMAL ARRANGEMENTS WITH JAPAN ON STEEL, CARS, OR ARRANGEMENTS INCLUDED WITHIN AN INTERNATIONAL AGREEMENT (THE MFA NEGOTIATED WITH TEXTILE EXPORTERS)- THESE SOLUTIONS HAVE ONE COMMON OBJECTIVE, THAT THOSE FOREIGN TRADING PARTNERS WHOSE APPETITES ARE JUDGED EXCESSIVE MODERATE THE DEVELOPMENT OF THEIR EXPORTS TO THE EEC. THE AMERICANS, QUICK TO BECOME CONCERNED AT SUCH COMMUNITY ACTIONS, MULTIPLY SIMILAR ARRANGEMENTS WITH EVEN GREATER SPEED AND EFFICIENCY (ORDERLY MARKETING AGREEMENTS). AS OF NOW, THESE SELF-LIMITING AGREEMENTS, NEGOTIATED BY PUBLIC AUTHORITIES OR AUTHORITIES UNDER THEIR CONTROL, ARE THE ONLY METHOD USED TO CALM TRADE GONE WILD. AND THEY MUST BE RESPECTED.

" TO CONVINCE NEW EXPORTING COUNTRIES TO ABIDE BY THEM SCRUPULOUSLY A MODIFICATION OF GATT RULES CONCERNING THE APPLICATION OF SAFEGUARDS COULD BE USEFUL. ARTICLE 19 OF THE GATT, WHICH GIVES A COUNTRY WHOSE MARKET HAS BEEN SERIOUSLY DISRUPTED THE OPPORTUNITY OF USING SAFEGUARD MEASURES, IS DIFFICULT TO APPLY PRINCIPALLY BECAUSE IT SUPPOSES THAT THE PROTECTIVE MEASURES WILL BE APPLIED IN A NON-DISCRIMINATORY MANNER, THAT IS, TO ALL TRADING PARTNERS. THE IDEA WOULD BE TO CREATE UNDER GATT CONTROL, AND ONCE THE INJURY AND ITS AUTHOR HAVE BEEN IDENTIFIED, A SAFEGUARD CLAUSE WITH SANCTIONS WHICH COULD BE APPLIED SELECTIVELY TO 'PRIATE' EXPORTERS.

"COULD THE COMMUNITY BE SATISFIED FOR LONG WITH SUCH
A CAPRICIOUS METHOD? CERTAINLY NOT. IT MUST DEVELOP WITHOUT
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DELAY A MORE AMBITIOUS POLICY, ONE WHICH, AS CLAUDE CHEYSSON
(EUROPEAN COMMISSIONER IN CHARGE OF DEVELOPMENT POLICY) TIRE-
LESSLY STRESSES, TAKES INTO ACCOUNT THE FUNDAMENTAL CHANGE
RESULTING FROM THE GROWING IMPORTANCE OF THE PLACE OF THE
THIRD WORLD IN THE INTERNATIONAL ECONOMY. 'INTIL RECENT YEARS
THE THIRD WORLD OCCUPIED A MARGINAL PLACE; NOW, IT HAS
ENTERED THW WORLD INDUSTRIAL ORDER AND OUR GROWTH IN THE FUTURE
DEPENDS ON IT TO A LARGE DEGREE,' SAID CHEYSSON RECENTLY,
EMPHASIZING THAT 36 PERCENT OF EEC EXPORTS GO TO THIRD WORLD
COUNTRIES WHICH ARE NOW 'PRIORITY PARTNERS FOR EUROPE'. IN THIS
SPIRIT, THE COMMISSION IS PREPARING TO SUBMIT TO MEMBER GOVERN-
MENTS A STUDY DOCUMENT IN WHICH IT RECOMMENDS THAT IN THE FUTURE
EFFORTS AT LIBERALIZATION UNDERTAKEN BY THE COMMUNITY BE SELECTIVE
CONDITIONAL.

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FM USMISSION GENEVA
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"THE COMMISSION STRATEGY CONSISTS OF THREE ELEMENTS:

"1. SELECTIVE LIBERALIZATION - THERE IS NO REASON TO
TREAT THE COUNTRIES OF THE THIRD WORLD AND THEIR INDUSTRIES
IDENTICALLY. 'IF THERE IS EVIDENCE THAT AN ECONOMIC ACTIVITY

HAS BEEN JUDGED ESSENTIALLY TO DUMP PRODUCTS ON OUR MARKETS, I SEE NO REASON TO OPEN OUR DOORS WITHOUT RESTRICTION,' NOTES CHEYSSON. BEFORE LOWERING TARIFF BARRIERS ONE COULD EVALUATE FOR EACH COUNTRY AND FOR EACH INDUSTRIAL SECTOR, THE PERCENTAGE OF EXPORTS COMPARED TO PRODUCTION. IN THE SAME SPIRIT, THE COMMUNITY WOULD BE RIGHT TO REFUSE A PREFERENTIAL TREATMENT OF COUNTRIES WHICH DO NOT THEMSELVES RESPECT CERTAIN INTERNATIONAL RULES SUCH AS THOSE OF THE INTERNATIONAL LABOR ORGANIZATION CONCERNING THE NUMBER OF HOURS WORKED OR THE EMPLOYMENT OF YOUNG PEOPLE AND WOMEN. WHY, IN THE NAME OF AID TO THE THIRD WORLD, ALLOW PRACTICES OF UNFETTERED CAPITALISM WHICH EUROPE HAS REJECTED?

"2. CONDITIONAL LIBERALIZATION - THE COMMUNITY REPRESENTS AN ATTRACTIVE MARKET. WOULD IT BE SCANDALOUS TO IMAGINE A NEW KIND OF RECIPROCITY SO THAT EUROPEANS MIGHT ALSO PROFIT FROM THE OPENING OF THEIR MARKET? ONE COULD CONCEIVE, FOR EXAMPLE, UNCLASSIFIED

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OF SETTING A CEILING ON IMPORTS FROM THIRD WORLD COUNTRIES WHICH WOULD NOT BE RAISED UNLESS COMMUNITY EXPORTS TO THOSE COUNTRIES INCREASE EQUALLY. IN ORDER THAT SUCH A CONTRACTUAL POLICY OF GIVE AND TAKE MIGHT WORK, IT WOULD BE NECESSARY, IT IS SAID IN BRUSSELS, THAT THE CLASSIC MEANS OF COOPERATION BE PUT INTO PRACTICE.

"3. ACCELERATION OF THE INTERNAL EFFORT AT INDUSTRIAL MODERNIZATION - TRADE LIBERALIZATION, THE KEY ELEMENT OF COMMUNITY FOREIGN POLICY, IS EXPENSIVE IN TERMS OF EMPLOYMENT AND BALANCE OF PAYMENTS. IN ORDER FOR IT TO BE BEARABLE, IT WOULD BE WISE SUBSTANTIALLY TO INCREASE THE MEANS AVAILABLE FOR FINANCING THE NECESSARY INTERNAL ADJUSTMENTS: INDUSTRIAL CONVERSIONS, PROFESSIONAL TRAINING, ETC...THE COMMISSION IS CONSIDERING SOME PROPOSALS LEADING IN THIS DIRECTION.

"ONE REALIZES THAT THIS IS BUT A FIRST EFFORT AT ESCAPING A HYPER-LIBERALISM WHICH HAS BECOME NON-VIABLE. RESISTANCE, BOTH WITHIN AND OUTSIDE OF THE EEC WILL NO DOUBT BE CONSIDERABLE. BUT IS THERE ANY OTHER WAY TO AVOID AN INCREASE IN UNEMPLOYMENT AND THE MULTIPLICATION OF BANKRUPTCIES IN THE EEC LEADING TO TENSIONS WHICH COULD LEAD TO AN IRREVOCABLE RESULT, PUTTING AGAIN INTO QUESTION THE PRINCIPLES OF THE LOME CONVENTION AND THE AGREEMENTS CONCLUDED WITH THE MEDITERRANEAN COUNTRIES - IN SHORT, THE DESTRUCTION OF THE POLICY OF COOPERATION PATIENTLY CONSTRUCTED BY THE EEC OVER THE PAST FIFTEEN YEARS."

PHILIPPE LEMAITRE END TEXTGRAEF

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